



Aircraft Insurance 101

An experienced aviation attorney or technical advisor engaged early in the process can help identify and solve insurance and FAA issues, which will keep you legal and on schedule.

Insuring your aircraft is substantially more complex than insuring your home or vehicle. Failing to understand insurance agreements is a surefire way to violate existing aircraft agreements or invalidate insurance coverage. Before you sign an insurance contract, make sure your insurance protects you.



Finance Documents Control.

If the aircraft is purchased in part by financing, the aircraft security agreement outlines the bank's requirements for aircraft insurance. If the insurance policy fails to meet the bank's requirements, the buyer may be in default before even taking the aircraft for its first flight.



Named Insured or Additional Insured.

The terms "named insured" and "additional insured" are not standardized throughout the industry. Named insured generally refers to an individual or entity that holds the policy. An additional insured generally means an individual or entity that is entitled to insurance coverage during the named insured's operations. Never assume that the insurance provider and bank have applied a common definition to the terms.



The 5W's of Insurance.

Ask: **who** is covered, **what** operations are covered, **where** does coverage extend (outside of the U.S.?), **when** does coverage start, and **what** notice is required to terminate coverage. If the aircraft is flown outside of the 5 W's, there is no coverage. Make sure that every individual and entity in operational control of a flight is covered by the insurance policy.



The Balancing Game.

When deciding how much liability insurance to carry, consider the number of seats and the aircraft's passengers. The difference in premiums between \$25 and \$50 million in coverage is generally minimal. Err on the high-side, and aircraft accident plaintiffs feel less of a need to drag the aircraft owner and operator into court.



To Have or Have Not?

Aircraft title insurance is separate from hull and liability insurance. Title insurance generally covers state and local tax liens and certain mechanics' liens that were not filed with the FAA or the International Registry. The premium is a one-time fee and should be purchased at closing.

When it comes to aircraft insurance, there aren't second chances. The worst time to discover your aircraft insurance is not adequate is after an accident. Avoiding expensive lawsuits and ensuring compliance with finance documents starts by understanding the insurance policy's coverage. Consult with experienced aviation counsel prior to purchasing aircraft insurance. Contact Michelle Wade or Kent Jackson at: 913-338-1700 or go to jetlaw.com